

## Message Text

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PAGE 01 NEW DE 13040 301308Z

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ACTION NEA-16

INFO OCT-01 ISO-00 EB-11 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 FEAЕ-00 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 DRC-01 FTC-01

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R 301245Z SEP 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4192

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONFPL MADRAS

CONFIDENTIAL NEW DELHI 13040

E.O. 11652: GDS

TAGS: BDIS, ENRG, IN

SUBJ: CALTEX OFFERS TO SELL OUT TO THE GOI

1. F.H. LEVENHAGEN,  
CHIEF CALTEX REPRESENTATIVE IN  
INDIA, INFORMED EMBOFFS SEPTEMBER 30 THAT HIS FIRM  
WILL RECOMMEND TO THE GOI THAT NEGOTIATIONS FOR THE  
GOVERNMENT'S PURCHASE OF CALTEX (INDIA) LIMITED AND  
CALTEX OIL REFINING (INDIA) LIMITED BEGIN "AS EARLY  
AS POSSIBLE." LEVENHAGEN STATED THAT HE PLANNED TO  
MEET WITH PETROLEUM MINISTRY SECRETARY P.K. DAVE LATER  
IN THE DAY TO VERBALLY PRESENT HIS COMPANY'S POSITION  
AND OUTLOOK AND TO HAND THE SECRETARY TWO RELATED  
DOCUMENTS--AN EXPLANATORY LETTER (ADDRESSED TO MINISTER  
D.K. BOROOAH) CONTAINING THIS REQUEST AND AN AIDE  
MEMOIRE TO THE GOI BRIEFLY OUTLINING CALTEX'S CURRENT  
FINANCIAL POSITION. (WE ARE AIRPOUCHING TO NEA/INS  
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PAGE 02 NEW DE 13040 301308Z

FULL TEXT COPIES OF THE ABOVE-CITED DOCUMENTS AND A

COURTESY LETTER TO AMBASSADOR MOYNIHAN.)

2. LEVENHAGEN NOTED THAT HIS PRINCIPALS IN NEW YORK SHOULD BE IN EARLY TOUCH WITH THE DEPARTMENT ON THIS MATTER, TO FULLY EXPLAIN THE RATIONALE BEHIND THIS DECISION AND TO ASSURE DEPARTMENT OFFICERS OF A SUBSEQUENT FOLLOW-THROUGH AS DEVELOPMENTS PROGRESS LATER. HE SAID THAT CALTEX IS NOT SEEKING EMBASSY OR DEPARTMENT ASSISTANCE AT THIS TIME, AND DOES NOT FORESEE DIFFICULTIES (VIS-A-VIS NEGOTIATIONS WITH THE GOVT) IN THE IMMEDIATE FUTURE. HE STRESSED THAT HIS COMPANY'S ACTION IS IN CONSONANCE WITH THE DESIRES OF THE GOI (TO BUY OUT ALL FOREIGN-OWNED PRIVATE SECTOR OIL COMPANIES IN INDIA, IN A MANNER SIMILAR TO ITS RECENT PURCHASE OF ESSO), AND (FOR CALTEX) A MATTER OF "PURE ECONOMICS". CALTEX HAS BEEN OPERATING DANGEROUSLY IN THE RED FOR A NUMBER OF MONTHS, AND ENVISAGES A \$2.0 MILLION LOSS DURING 1974 UNLESS SOME FORM OF REMEDIAL ACTION IS TAKEN. "REMEDIAL ACTION" SUFFICIENT TO PERMIT CALTEX TO RETURN TO AN ECONOMICALLY VIABLE POSITION APPEARS POSSIBLE ONLY IF THE GOI WOULD AGREE TO STILL ANOTHER UPWARD RE-ADJUSTMENT OF ITS RETAIL SELLING PRICE FORMULA, ACCORDING TO LEVENHAGEN. HE BELIEVES THAT THE GOVERNMENT CANNOT, OR AT LEAST WILL NOT, CONSIDER SUCH A MOVE SO SOON AFTER ITS LATEST (INADEQUATE) EFFORT IN THIS REGARD. HE SAID THAT THE GOI'S SEPTEMBER 18 PRICING REVISION WILL PERMIT CALTEX TO REPAY ITS CURRENT BANK BORROWINGS ONLY; IT DOES NOT PROVIDE FOR A PROFIT MARGIN, AND DOES NOT ALLOW FOR FUTURE ADJUSTMENTS IN THE COST OF CRUDE OIL. HE THEREFORE CONCLUDES THAT CALTEX SHOULD LEAVE INDIA BEFORE OPERATING LOSSES ONCE AGAIN BECOME UNTENABLE.

SCHNEIDER

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